From: "Terry Hague" <TerryH@legacybank.com> on 04/05/2004 05:00:35 PM
Subject: Regulation BB - Community Reinvestment Act

Community Reinvestment Act

April 5, 2004
Communications Division
Public Information Room
Mailstop 1-5
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219
Re: Docket No. 04-06
Fax: (202) 874-4448
comments@fdic.gov

Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, DC 20429
Re: 12 CFR Part 345
Fax: (202) 898-3838
regs.comments@occ.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 200551
Re: Docket No. R-1181
Fax to the Office of the Secretary at
(202) 452-3819 or (202) 452-3102
regs.comments@federalreserve.gov

RE: Proposed Revisions to the Community Reinvestment Act Regulations

Dear Sir or Madam:

As a community banker, I strongly endorse the federal bank regulators' proposal to increase the asset size of banks eligible for the small bank streamlined Community Reinvestment Act (CRA) examination from $250 million to $500 million and in fact would encourage you to increase it to at least $1 Billion. The proposed change recognizes that it's not right to assess the CRA performance of a $500 million bank or a $1 billion bank with the same exam procedures used for

a $500 billion bank

The "Small Bank Threshold" helps the Community Reinvestment Act better achieve its original purpose: to enable examiners to determine realistically whether a bank is helping to meet its community's credit needs by reviewing its loan portfolio and without requiring an "investment" of some sort, and we salute you for making this proposal a possibility. Since that time, the red tape requirements for smaller banks have grown larger, including massive new reporting requirements under HMDA, the USA Patriot Act and the Privacy provisions of the Gramm-Leach-Bliley Act. And the CRA is but one of some 129 different regulations with which smaller banks struggle to keep up on a daily basis.

Importantly from our perspective, however, is the fact that the nature of community banks has not changed since the CRA was originally adopted, even though the red tape requirements have changed dramatically. "Large bank exam" standards mean more staff, more costs, more documentation and more red tape on things that we must do anyway, every day, in order to survive in this part of the country.

Increasing the size of banks eligible for the small-bank streamlined CRA examination does not relieve banks from CRA responsibilities. Since the survival of many community banks is closely intertwined with the success and viability of their communities, the increase will merely eliminate some of the most burdensome requirements Stated simply, if community banks — regardless of their size — don't take care of their communities and their customers, the bankers who run them don't eat. That basic fact seems to have gotten lost over the course of time, and it's refreshing to see that this proposal has finally been put on the table for discussion.

At this critical time for the economy, this will allow more community banks to focus on what they do best-fueling America's local economies. When a bank must comply with the requirements of the large bank CRA evaluation process, the costs and burdens increase dramatically. And the resources devoted to CRA compliance are resources not available for meeting the credit demands of the community.

Moreover, raising the limit to $1 billion is appropriate for two reasons. First, keeping the focus of small institutions on lending, which the small institution examination does, would be entirely consistent with the purpose of the Community Reinvestment Act: to ensure that the Agencies evaluate how banks help meet the credit needs of the communities they serve.

Second, raising the limit to $1 billion will have only a small effect on the amount of total industry assets covered under the more comprehensive large bank test. According to the Agencies' own findings, raising the limit from $250 to $500 million would reduce total industry assets covered by the large bank test by less than one percent. According to December 31, 2003, Call Report data, raising the limit to $1 billion will reduce the amount of assets subject to the much more burdensome large institution test by only 4 percent (to about 85 percent).

As minimal as these changes are, the result for the community banks that would be directly affected by such a change would be significant. The red tape compliance costs would be significantly reduced, which means the banks would have more resources they can devote to

accomplishing the original intent of the Act itself: making loans to support the communities served by the affected institutions.

While community banks still must comply with the general requirements of CRA, this change will eliminate some of the most problematic and burdensome elements of the current CRA regulation affecting community banks that are already drowning in regulatory red-tape. Accordingly, we urge the Agencies to raise the limit to at least $1 billion. Such a move would provide significant regulatory relief without diminishing in any way the obligation of all insured depository institutions to meet the credit needs of their communities. And while we're at it, this same rule should also apply to tax-subsidized credit unions as well.

Thank you for your time and consideration.

Sincerely,

Terry Hague
Senior Vice President
Legacy Bank